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IN THE UNITED STATES DISTRICT COURT  
DISTRICT OF OREGON

**KOUNT, INC.**, a Delaware corporation,  
Plaintiff,  
  
v.  
  
**IOVATION INC.**, a Delaware corporation,  
Defendant.

Case No. CV-09-00255-HA

**DECLARATION OF GREGORY J.  
PIERSON**

Gregory J. Pierson declares:

1. I am the Chief Executive Officer of iovation Inc. I make this statement from personal knowledge and from the records of iovation kept in the normal course of its business. I am over 18 and am competent to testify in court regarding the matter set forth in this declaration.
2. I am one of the founders of iovation and am a co-inventor of the system used by iovation to provide fraud prevention services for its customers. I am listed as a co-inventor on iovation's patent, U.S. Patent No. 7,272,728 B2.

3. I have reviewed the motion papers related to Kount, Inc.'s 56(f) motion and its motion to compel production in this case. I understand from those documents that Kount has asked the Court to order iovation to produce to Kount's attorneys, among other things, the following documents and information:

- All source code for iovation's system;
- iovation's database schema and a representative sample of entries in the database;
- All charts referring or relating to the steps of iovation's system;
- All documents referring or relating to the hardware on which each component of iovation's software resides;
- All documents referring or relating to how iovation's ReputationManager service identifies devices to include in iovation's Reputation Repository;
- All documents referring or relating to how ReputationShield identifies or fingerprints devices, or does both;
- All documents referring or relating to how iovation maintains the unique IDs of devices in iovation's Device Reputation Authority;
- Copies of iovation's contracts with its customers that include the customers' names; and
- iovation's customer list.

All of the above-listed items are iovation's proprietary, confidential information and its trade secrets.

4. Other than the limited information disclosed in iovation's patent and some JavaScript and Flash ActionScript in its downloadable software, all of iovation's source code, its database schema, charts referring or relating to the steps of iovation's system, documents referring or relating to the hardware on which each component of iovation's software resides, how the ReputationShield service identifies or fingerprints devices or does both, and all documents related to how iovation

maintains unique IDs of devices in its device ReputationAuthority are programs, formulas, compilations, methods, techniques or processes from which iovation derives independent economic value because the information is not generally known to the public and is not known to our competitors, who could use the information to compete with iovation. iovation has invested significant funds to develop its fraud prevention system, including these components of the system. From what I know about the technology used by our competitors, it is my understanding that many of the aspects of iovation's fraud prevention system give iovation a competitive advantage in the marketplace and are derived from these components of the system.

5. Similarly, our customer list has been compiled over many years. iovation has invested substantial time and money to identify customers from the numerous online businesses that are potential buyers of fraud prevention services. Additionally, because iovation provides fraud prevention services to these customers, which include financial institutions, disclosing the customers would reveal that they believe they have a online fraud problem. Further, disclosing our customers exposes them to additional risks, as knowledge of the security measures used by various sites gives information to criminals that allows them to adjust and refine their attacks. It would also allow criminals who have been thwarted by our system to focus their efforts on online businesses that are not our customers. For these reasons, iovation considers its customer list a trade secret and protects it as such.

6. If un-redacted copies of iovation's customer contracts were disclosed, that would amount to the same thing as disclosing our customer list. The recipient could simply compile the list of our customers from the contracts.

7. iovation takes the following steps to protect the secrecy of its source code:

(a) The source code is securely stored in our source code repository at our offices

in Portland and at a secure escrow site.

(b) Only a limited number of technical staff at iovation have access to the source code, they may only access the part of the code they are working on at that time, and they must log-in and out of the source code repository when they access the source code.

(c) Other than the limited number of iovation technical employees, only iovation's consulting expert and iovation's legal counsel in this case has been given access to iovation's source code. The expert signed a nondisclosure agreement that requires him to keep the source code and iovation's other technical information confidential and to take certain steps to secure the source code and other information.

(d) Other than the limited information about iovation's source code that is disclosed in iovation's patent and the JavaScript and Flash ActionScript in its downloadable software, iovation has never provided a copy of any of the source code for its system to anyone outside of iovation except iovation's consulting expert and its legal counsel in this case, not even to iovation's customers that embed iovation object code into their own products.

(e) iovation has written guidelines, which it enforces, regarding what its sales staff and other employees may disclose to potential customers and to customers about how iovation's system operates. Those guidelines permit iovation employees and officials to describe iovation's system only in general terms.

(f) All iovation employees and officials must sign nondisclosure and noncompetition agreements that prohibit them from using our trade secrets and other confidential information, including all of the information list in paragraph 3 above, for the benefit of any person or entity other than iovation. iovation has enforced its noncompetition agreements against former employees who have been hired by iovation's competitors, including a former employee who was

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hired by Kount.

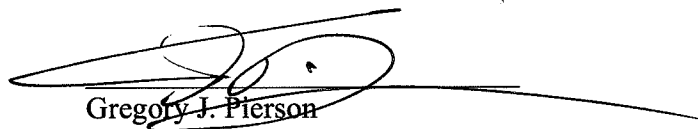
8. iovation takes similar steps to protect the other programs, database schema, and technical documents described in paragraph 3 above. All such documents and information are retained only at iovation's offices in Portland, at a secure offsite storage facility, and at a secure escrow site. All such documents are available only to iovation technical staff who need to access them and to iovation's consulting expert and legal counsel in this case, and are secured when they are not in use.

9. Our customer list is available only to iovation executives, sales staff, customer service staff, accounting staff, and their assistants, on a need-to-know basis.

10. Many of iovation's contracts with its customers prohibit iovation from disclosing, without the customer's permission, that the customers do business with iovation.

11. As far as I am aware, no one outside of iovation, except our legal counsel, has a list of our customers. If the customer list were to become known to others, it could be used to sell competing services to our customers, potentially at a loss-leader price to undercut our market share. If our customers became subject to depositions or to subpoenas for documents in this case, that could greatly jeopardize or end our relationships with them.

I declare under the penalties of perjury of the laws of the United States that the foregoing is true and correct.

  
Gregory J. Pierson

Executed at Portland, Oregon on July 17, 2009.